

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 AGR-05 H-02 /100 W

----- 049026

R 101300Z JAN 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9110

INFO AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

AMEMBASSY BEIRUT POUCH

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

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EO 11652: NA

TAGS: EFIN, ETRD, EG

SUBJECT: PROJECTED 1976 FOREIGN EXCHANGE GAP

REF: 74 CAIRO 13173

1. WE HAVE EXAMINED SUMMARY 1976 BUDGET DOCUMENTS
(IN ARABIC ONLY) SUBMITTED BY MINFIN TO PEOPLE'S
ASSEMBLY FOR DEBATE LATE DECEMBER (REFTEL AND PREVIOUS)
AND HAVE COMPILED SIMPLIFIED ACCOUNT BELOW OF PROJECTED
FOREIGN EXCHANGE BALANCE SHEET FOR YEAR. DATA AS
EVIDENTLY USED BY GOE INCLUDE SEEMINGLY DISPARATE
ELEMENTS OF CURRENT ACCOUNT TRADE BALANCE, PLANNED
INVESTMENT AND EXPECTED FOREIGN FINANCING TO ARRIVE AT
NET FINANCING GAP. DETAIL IS LACKING AS YET, FIGURES
AVAILABLE TO US INCLUDE ERRORS IN ARITHMETIC AND
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PECULIARITIES IN METHODOLOGY, AND FINAL VERSION

REPORTEDLY WILL NOT BE ISSUED FOR ANOTHER MONTH.
FOLLOWING THEREFORE SHOULD BE TREATED STRICTLY AS
PRELIMINARY APPROXIMATION INTENDED TO SHOW ORDERS OF
MAGNITUDE (ALL FIGURES IN LE MILLIONS):

A. RECEIPTS--

EXPORTS

AGRIC, 233

INDUST. 391

SUBTOTAL 624

INVISIBLES 293

PARALLEL MKT. 210

TOTAL A. 1127

B. PAYMENTS--

IMPORTS

CONSUMPT. 540

INTERMED. 1105

CAPITAL 525

TOTAL B 2170

C. BALANCE (MINUS) 1043

D. PLANED

INVESTMENT (MINUS 1350

E. SUBTOTAL C&D (MINUS) 2393

F. EXPECTED FINANCING 1563

G. NET GAP (MINUS) 880

NOTE: DRAFT GOE DOCUMENT SHOW NET UNFINANCED GAP
(G IMMEDIATELY ABOVE) OF LE 781 MILLION, BUT WE ARE
UNABLE AT PRESENT TO TRACK DOWN LE 49 MILLION
DISCREPANCY.

2. ON EXPORT EARNINGS, GOE ASSUMES RISE IN 1976 OIL
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SHIPMENTS TO 20.5 MILLION TONS, COMPARED WITH
8.9 MILLION IN 1975. INVISIBLE RECEIPTS ASSUME SUEZ
CANAL REVENUES AT LE 210 MILLION LEVEL, COMPARED WITH
LE 75 MILLION PRECEDING YEAR. PARALLET MARKET EARNINGS
ARE BASED ON ASSUMPTION OF RISE IN NON-TRADITIONAL EXPORTS
AND INCREASED TOURISM.

3. CONSUMER AND INTERMEDIATE GOODS IMPORTS ARE EXPECTED

TO DECLINE IN VALUE, NOT QUANTITY, IN COMPARISON WITH
1975 DUE TO DROP IN WORLD PRICES.

4. GOE SUMMARY NOTES IMPROVED FORECAST IN 1976 FOREIGN
EXCHANGE PICTURE OVER 1975, NOTABLY REDUCTION BY LE
426 MILLION IN UNFINANCED GAP ESTIMATE. THAT IS, GOE
ESTIMATE FOR CURRENT YEAR SHOWS FINANCING GAP OF "ONLY"
LE 781 MILLION (OR LE 830 MILLION BY OUR COUNT)
COMPARED WITH LE 1207 IN 1975 BUDGET.

5. COMMENT: VARIOUS OF ABOVE FIGURES CAN BE CONSIDERED
AT LEAST DEBATABLE. GLARING EXAMPLE IS PARALLET MARKET
EARNINGS, IT IS NOT CLEAR TO US WHERE SUCH SIGNIFICANT
SUM WILL COME FROM GIVEN RECENT HISTORY OF DECLINING
EXCHANGE TRANSACTIONS IN THIS ACCOUNT FOR TRADE PURPOSES.
EXPECTED FINANCING, TOO, IS BELIEVED TO BE IMPRECISE
FIGURE BASED LARGELY ON AGGREGATE OF SUMS INVOLVED IN
PROPOSED NEGOTIATIONS. (GOE BUDGET DOCUMENT LISTS TWO
INSTALLMENTS OF INVESTMENT FUNDS, DEPENDING ON
AVAILABILITY; WE HAVE USED TOTAL OF BOTH INSTALLMENTS
IN ABOVE FIGURE TO REACH NET REQUIREMENTS, AS DID GOE
IN ITS SUMMARY FOR PEOPLE'S ASSEMBLY). FURTHER, UNDER-
LYING ETHODOLOGY IN AGGREGATING INVESTMENT REQUIREMENTS
WITHOUT APPARENTLY DIFFERENTIATION BETWEEN LOCAL AND
FOREIGN CURRENCY ELEMENTS IS SOMEWHAT PUZZLING TO US,
UNLESS LOCAL PROJECT COSTS ACUTALLY ARE INCLUDED ELSE-
WHERE IN BUDGET AND SUMMARY COVERS ONLY ITEMIZED FOREIGN
EXCHANGE. REGARDLESS OF QUESTIONS OF DETAIL AND CONCEPT,
HOWEVER, MINFIN PRESENTATION TO LEGISLATURE IS
FUNDAMENTALLY INTERESTING IN THAT GOE ACKNOWLEDGES
THEREIN IT AGAIN WILL HAVE TO FIND FOREIGN EXCHANGE
TO CARRY OUT ITS BUDGETED PROGRAM DURING THE COMING
YEAR, IN THIS CASE SOME \$2,000 MILLION FOR 1976.
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EILTS

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Message Attributes

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Margaret P. Grafeld
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